SBC buying AT&T for $16 billion—25,000 telecommunications jobs to go

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11 February 2005

Communications giant SBC announced last week that it has a deal to buy AT&T for $16 billion. This move will spark a new round of mergers and another wave of job cuts in an industry that has cut more than 200,000 jobs just in the past five years, and will create the largest telephone service provider in the US.

The deal is expected to be completed early next year after getting federal approval. The new company plans to immediately cut some 13,000 workers. This is on top of the 12,000 workers whose jobs are being eliminated this year by the two companies prior to the merger.

AT&T had already announced plans to cut more than 10 percent, or 5,000 of its 47,000-person workforce, mostly from involuntary layoffs at its customer call centers this year. SBC, formerly Southern and Pacific Bell, previously announced plans to cut 7,000 of its 163,000 employees this year, in the main by not replacing retiring workers.

Of the 13,000 workers who will lose their jobs in the combined company, 5,100 are from the management of long distance and local networks, and another 5,100 in sales, order provisioning, billing and other customer support positions.

Another 2,600 jobs will be cut from administration services, such as accounting, human resources and regulatory and lobbying operations. These job cuts will most likely happen at AT&T's corporate headquarters in Bedminster, New Jersey, since the merged company will use SBC's headquarters in San Antonio, Texas.

No sooner had the ink dried on the SBC-AT&T announcement than Qwest, a regional Bell serving Midwestern and Western states, announced an offer to buy long distance company MCI for $6.3 billion. MCI has not yet responded to the offer, hoping it will spark higher bids from the other two regional telephone companies, Verizon and BellSouth.

For the most part, the media has reported the announced layoffs as a fairly adept move to boost both companies' stock prices. For workers at AT&T and SBC, however, it is the latest in a series of job cuts that have ended the careers of tens of thousands, wrecked families and caused untold suffering.

AT&T, the nation's largest long distance company, has cut its workforce repeatedly in the past decade as business and revenue have fallen. Since 1999, the company has eliminated more than 90,000 jobs, two thirds of its workforce. Lucent Technologies, the equipment manufacture that was spun off from AT&T in 1996, has gone from 123,000 employees to just 31,500 workers worldwide.

For its part, the Communications Workers of America (CWA), which represents workers at AT&T, greeted the buyout of the company as good news. In a statement published on the union's web site, CWA President Morton Bahr commented that "with the integration of its operations into SBC, there is now the opportunity for a new strategy that instead focuses on dynamic growth and creation of new services and technologies."

The CWA has played an integral role in the destruction of jobs throughout the telecommunications industry. They have worked hand in glove with the companies to ensure orderly downsizing and have proven themselves a reliable partner.

These mass layoffs are only the beginning. One of the reasons for the merger is that SBC, with 163,000 employees, is facing fierce competition. SBC is the major telecommunications service provider in 13 states along the West Coast and throughout the Midwest and Southwest. It has 54 million access lines, but this has been declining. In addition to many customers switching over to cell phones and DSL service, cable television has begun offering voice service in most major cities.

SBC's long distance unit has gained about 13 percent of the market to place it as a close second with Verizon. However, price competition has meant this is no longer the profitable service it once was. The profits associated with residential long distance service have fallen so much that AT&T announced last year it was moving out of the residential long distance business, despite being the country's number-one provider.

SBC is betting the buyout of AT&T will allow it to enter the very profitable enterprise accounts or large business sector. SBC, like the other regional Bells, has for a long time been seeking to move into this sector but was not able to lure large businesses into changing their communications provider. AT&T has the largest list of corporate customers, which accounts for 75 percent of its revenue. It also has the world's largest international network and is a globally recognized name.

The buyout will also place enormous pressure on the other regional Bells, particular Verizon. SBC's purchase of AT&T will allow the combined company to surpass Verizon as the largest provider of telecommunications services in the US.

Verizon, which has been facing the same pressures as SBC, has been investing almost all its available money and time into bringing high-speed fiber-optics services to the home. This is seen as necessary to compete against cable's entry into the local market. But with SBC's purchase of AT&T, and takeover of its business and international network, Verizon must find a way into these markets or face the danger of being left behind. This is what is putting pressure on Verizon to buy either MCI or Sprint.

In either case, both Verizon and SBC will be under pressure to cut costs, and will undoubtedly cut jobs as they position themselves to compete directly for the first time.

Further job cuts and mergers are also to be expected in the equipment-manufacturing sector. Sales of telecommunications equipment by Lucent, Nortel, Cisco and Siemens to these major service providers have been flat for the past five years, and unused capacity is high.

However, the fate of the top executives at these service providers is far different from that of telecommunications workers, who face the immediate loss of their jobs or future prospects of economic insecurity and job overloading. AT&T's Chairman and CEO David Dorman received a total of $17.5 million in pay, bonuses, stock options and benefits during 2003. He can also fall back on another $3,134,250 in unexercised stock options from previous years.

Dorman will be named president of the company after the merger, and it is rumored that he has been promised the CEO position when current SBC chairman Edward Whitacre, now 63, leaves the company. Whitacre took in nearly $25 million in total compensation in 2003, including pay, bonuses, stock options and other benefits. He has another $4,006,075 in stock options to cash in from previous years.

This massive squandering of resources is typical throughout the telecommunications industry. Ivan Seidenberg of Verizon took in nearly $13 million. Duane Ackerman of BellSouth was the lowest-paid telecom chief executive, making $10.7 million during 2003. Richard Notebaert of Qwest Communications did somewhat better, with payments totaling $18.7 million. The Sprint head, Gary Forsee, fared even better, receiving $27.1 million during the year.